EX PARTE

November 22, 2005

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445-12th Street SW
Washington, DC 20054

RE: Federal-State Joint Board on Universal Service: CC Docket No. 96-45

Dear Ms. Dortch:

On November 21, 2005, Dan Phythyon of the Alliance for Public Technology and I, representing the Keep USF Fair Coalition (KUSFF), met with Commissioner Jonathan Adelstein and his legal adviser for Wireline Issues, Scott Bergmann. We discussed the Commission's proposal to modify the current universal service mechanism by using telephone numbers rather than long-distance telephone service as the device triggering contribution obligations.

We presented the November 17th report of the KUSSF Coalition, "Losing Numbers: How America's Most Vulnerable Consumers Could Suffer Under Universal Service Fund 'Reform'" and a related news release. Both documents are included with this filing.

We explained that the so-called "numbers" plan would result in higher federal phone taxes totaling as much as $707 million for 43 million low-volume long-distance user households in the United States. Of greatest concern to the Coalition are the 16 million households of primarily low-income and elderly individuals who currently can afford few or no long-distance phone calls, but would have to pay up to $383 million in higher Universal Service Fund (USF) taxes under the proposal.

Further, we explained that the flat-fee approach is unfair and discriminates against older, rural and other Americans with predominately low or fixed incomes, particularly those who use little or no long distance a month.

Millions of the most financially vulnerable Americans would see their phone tax go up under the plan.

We suggested an alternate plan, backed by Coalition members, called the "Fair Share Plan." This Plan is a commonsense approach to improve the USF contribution process to ensure sufficient funds. Specifically, the Plan calls for:

- Expanding the USF contribution base to include revenues derived from all telecommunications, including services provided using Voice over the Internet Protocol (VoIP) technology.

- Establishing a contribution factor cap to be applied to the revenue-based approach, somewhere between 12 and 15 percent of revenues derived from interstate telecommunications (including VoIP).

- Continuing to assess carriers based on revenues up to that cap amount; carriers would still have the right to charge their end users a USF recovery charge not to exceed the capped amount.

It is only after all of these steps have been taken under the Fair Share Plan that a numbers-based approach could be invoked strictly as a fallback funding approach. In order to minimize damage to consumers, the numbers component would only recover the amount of any revenue shortfall. The Plan would be benefit those low-income users who make few long-distance calls. They would be subject to flat assessments for their wireline and wireless telephone numbers, but the level of those assessments would be measured in cents, not the $1.00 or more anticipated under a "connection" or "numbers" based funding plan.

Pursuant to section 1.1206(b)(2) of the Commission's rules, this letter and attachments are being filed electronically in the record of the above-referenced proceeding. Please do not hesitate to contact me at (703) 276-3251 if you have any questions.

Respectfully submitted,

Maureen A. Thompson
Executive Director
Keep USF Fair Coalition

cc: Commissioner Jonathan Adelstein

Scott Bergmann, Legal Adviser, Commissioner Adelstein

attachments

LOSING NUMBERS:

How America's
Most Vulnerable Consumers
Could Suffer Under
Universal Service Fund (USF) "Reform"

A Report of the
Keep Universal Service Fund (USF) Fair Coalition

November 17, 2005

I.
EXECUTIVE SUMMARY

A controversial plan backed by Federal Communications Commission (FCC) Chairman Kevin Martin would result in higher federal phone taxes (or forced phone bill hikes) totaling as much as $707 million for 43 million low-volume long-distance user households in the United States. Of greatest concern within the group of harmed consumers: the most vulnerable of Americans – 16 million households of primarily low-income and elderly individuals – who currently can afford few or no long-distance phone calls, but would have to pay up to $383 million in higher Universal Service Fund (USF) taxes under the Martin scheme.

The currently consumer-friendly "pay for what you use" approach to funding the Universal Service Fund would be replaced under the Martin plan with a regressive, flat-fee arrangement of $1-$2 or more per phone line – regardless of whether or not consumers even make a long-distance call. For a consumer who now dials only a handful of long-distance calls per year and pays correspondingly low USF taxes, the effective tax rate under the Martin plan would soar by more than 1,000 percent on an annual basis!

With low-income and elderly consumers already socked with high gas prices, the prospect of soaring winter heating bills and continued inflation in medical prescriptions, the wide range of diverse groups in the Keep USF Fair Coalition are opposing the Martin "numbers" based plan. These groups caution against balancing USF finances on the backs of the very consumers who use long-distance the least and are unable to afford phone bills that would rise under "numbers" simply in order to subsidize high-income/high-volume callers.

As the Coalition notes, the chief argument advanced for the "numbers" based approach incorrectly assumes that there is no alternative approach to addressing potential USF solvency concerns. The truth is that Keep USF Fair Coalition members and other groups concerned about the threat posed to America's most vulnerable consumers by a "connections" or "numbers" based approach are coalescing around the "Fair Share Plan," which would eliminate the need for radical changes that would be injurious to vulnerable consumers. The Plan outlines common-sense reforms to improve the contributions process to ensure sufficient funding for USF.

II.
UNDERSTANDING USF/ REFORM THAT MAKES SENSE

The Universal Service Fund (USF) is intended to ensure that low income and rural consumers have access to affordable phone services. It also provides Internet at discounted rates to schools, libraries and rural healthcare providers. Today, USF monies are collected on a "pay-for-what-you-use" system. Consumers pay a percentage of their monthly phone bill to the Universal Service Fund based on how much long distance they actually use. Under this arrangement, if a consumer uses less, he or she pays less.

Led by Federal Communications Commission's Chairman Kevin Martin, the FCC is considering a controversial move to shift from the current "pay-for-what-you-use" system to a monthly flat-fee arrangement of $1 or $2 (or even more) per phone line. This approach – sometimes referred to as a "numbers" or "connection" based methodology for the USF -- means that a consumer's monthly phone bill(s) would reflect a USF charge even if they didn't make a single long-distance call.

Keep USF Fair Coalition and other groups are warning that the flat-fee approach is unfair and discriminates against older, rural and other Americans with predominately low or fixed incomes, and, in particular, those who use little or no long distance a month. In fact, it can be argued that a "monthly flat fee" shifts the burden of the USF to those it was created to help. Millions of the most vulnerable Americans would be paying disproportionately large amounts into the fund while big-business phone user and high-income/high-volume residential users could enjoy yet another tax cut geared towards the wealthy.

As the National Association of Consumer Agency Administrators notes: "… proposals to move the collection of the Universal Service Fee to a flat fee or exclusively numbers-based plan would be unfair to millions of consumers, especially lower call volume users if they would now pay the same fee as high volume, business users … A restructuring effort of the Universal Services Fee must find a fair method, competitively neutral, that takes into consideration new technologies such as Voice over the Internet (VOIP) and other telecommunication services …"[1]

Older Americans are among those who would be particularly at risk from a move to a flat-fee arrangement for USF. "Under some of the proposed funding mechanisms, these low-volume long distance service callers would be required to pay the bulk of the funding for Universal Service," according to AARP. "Ideally, all consumers should see their monthly USF charges decline to $.00 through a system that would allow carriers to recover their cost in rates as a legitimate cost of business … The move to a per-line charge some are considering would be harmful to the very population the fund seeks to help and should not be adopted."[2]

[1] Policy Resolution, National Association of Consumer Agency Administrators, June 8, 2005, http://keepusffair.org/img/gv2/nonstandard_files/keepusffair/NACAA_Telecommunications_resolution_20051.pdf.
[2] Consumer Perspectives on Universal Service, New Millennium Research Council, June 2003, page 14.

Minorities also would suffer under a shift to a "numbers"-based approach for USF Funding. The League of United Latin American Citizens (LULAC) has noted: "A drastic shift in USF funding support would hardest hit low-income residential and low-volume long distance users, a disproportionate number of whom are Latino … [the proposed change in] USF funding support from usage basis to subscriber base would mean that residential customers would pay the same as business customers and low volume callers would pay the same as high volume callers, which is particularly unfair and burdensome to consumers on fixed-incomes who may see their phone bills increase even when they budget to make few or no long distance calls."[3]

LULAC added: "In addition to unfairly impacting minorities generally who may be low volume long distance users, consumers on low or fixed incomes, or have multiple phones; a switch to a connection-based methodology would impact a special category of Latinos who rely heavily on pre-paid cell phones as their preferred choice or their only option for wireless service, including: Latino families who have children and teenagers; Latino elderly who may live alone or travel; Latino seasonal workers or students in the U.S.; Latinos who want cell phones for emergency or security purposes; Latinos who are on public assistance or fixed incomes; and Latinos who cannot meet credit or security deposit requirements."

The chief argument advanced for the "numbers" based approach incorrectly assumes that there is no alternative approach to addressing potential USF solvency concerns. The truth is that Keep USF Fair Coalition members and other groups concerned about the threat posed to America's most vulnerable consumers by a "connections" or "numbers" based approach are coalescing around the "Fair Share Plan," which would eliminate the need for radical changes that would be injurious to vulnerable consumers.[4]

The Plan assumes the following, common-sense reforms to improve the USF contribution process to ensure sufficient funds:

- Expand the USF contribution base to include revenues derived from all telecommunications, including services provided using Voice over the Internet Protocol (VoIP) technology.

- Establish a contribution factor cap to be applied to the revenue-based approach, e.g., somewhere between 12 and 15 percent of revenues derived from interstate telecommunications (including VoIP) .

- Carriers would still be assessed based on revenues up to that cap amount, and would still have the right to charge their end users a USF recovery charge not to exceed the capped amount.

It is only after all of these steps have been taken under the Fair Share Plan that a numbers-based approach could be invoked strictly as a fallback funding approach, which is not expected to come into play. In order to minimize damage to consumers, the

---

[3] Policy Resolution, LULAC CALLS ON THE FEDERAL COMMUNICATIONS COMMISSION TO CAREFULLY WEIGH THE IMPACT OF ANY INTENDED REFORMS TO THE UNIVERSAL SERVICE FUNDING METHODOLOGY TO OUR NATION'S MOST VULNERABLE, League of United Latin American Citizens, July 2, 2005, http://keepusffair.org/img/gv2/nonstandard_files/keepusffair/LULAC-USFResolution7_18.pdf.
[4] http://keepusffair.org/img/gv2/nonstandard_files/keepusffair/JointExParteComments81505.pdf.

numbers component would only recover the amount of any revenue shortfall. The Plan would benefit those low-income users who make few interstate calls. They would be subject to flat assessments for their wireline and wireless telephone numbers, but the level of those assessments would be measured in cents, not the $1.00 or more anticipated under a “connection” or “numbers” based funding plan.

<u>III.</u>
HOW "THE NUMBERS GAME" WOULD HURT U.S. CONSUMERS

Perhaps the most alarming aspect of the controversial proposal to shift the USF to a "numbers"-based approach for funding is that no one has yet produced an estimate of the harm that would be done to consumers. While it is perhaps understandable that proponents of the "numbers" methodology are loathe to see this information in the public domain, it does not seem reasonable that the FCC or Congress would change the collection of USF funding without a hard look at who would pay the piper for such an arrangement.

In lieu of a "proper" estimate from either the FCC or Congress, the Keep USF Fair Coalition has reviewed publicly available information from the Commission and the industry to determine just how painful the "numbers" based alternative for USF would be. The picture that emerges from this preliminary estimate is one in which the logic of the funding for the Universal Service Fund would be turned inside out: The burden of paying for a program to provide telephone access for low-income and rural consumers would shift radically from those most able to pay (more affluent consumers and businesses who use the greatest amount of long distance) to those who are least able to pay and most likely to need USF help (low-income individuals and low-volume phone users, particularly older Americans, the poor and rural consumers).

The facts about the "real world" of phone consumer habits cast serious doubt on the wisdom of the "numbers" based approach.

- While nearly 94 percent of all Americans have telephone service, the rate for low-income households is 89 percent.[5] When families face tough economic times, social service workers and other experts note that telephone service is often the first thing to go. Considering the current economic woes faced by low-income Americans, an increase in monthly USF charges is likely to force many low-income families already at or near the brink to drop their telephone service. AARP research shows that nearly a third (30 percent) of those age 65-74 and two out of five of those 75+ would have to cut back on their long distance if they needed to "cut back on expenses for any reason."[6] Such a policy outcome would run directly contrary to the 1996 Telecommunications Act requirement that quality telecommunications services be made available at just, reasonable, and affordable rates.

- There is a direct correlation between income and age to long-distance telephone usage.[7] Households making less than $10,000 a year use long-distance services half as much as those households making more than $70,000. Seniors also make fewer long-distance calls, with people over 65 generating roughly half the number of

---

[5] Telephone Subscribership Report., Wireline Competition Bureau, Federal Communications Commission, November 7, 2005, page 31.
[6] Consumer Understanding of Pricing Practices and Savings Opportunities in the Long Distance Telephone Industry, AARP Public Policy Institute, 2000, page 6.
[7] See Florida Public Service Commission rearch on "no-volume" and "low-volume" users cited throughout the FCC filing http://www.consumersunion.org/pdf/0922lowvol.pdf and related news release: "CONSUMERS ASK THE FCC TO PUT AN END TO LONG DISTANCE PRICE DISCRIMINATION/Households making less than 50 minutes a month in interstate long distance calls have been saddled with a net annual increase of $2 billion," Consumer Federation of America, Consumers Union and the Texas Office of the Public Utility Commission, September 22, 1999.

weekly long-distance calls as those under 65. This means that a "numbers" based methodology for USF would saddle the low-income and elderly -- the customers that account for the smallest part of telecommunications activity or revenues -- to subsidize price reductions for customers who are better able to afford long-distance service.

What would all of this bode for implementation of "numbers" based reform of USF? In reviewing the public record on USF and phone-use volume trends, the Keep USF Fair Coalition estimates:

- *"No volume" long-distance users.* The roughly 16 million consumer households[8] who use no long-distance services in a typical month could end up paying an extra $192 million (under $1-a-line USF) to $383.1 million (under $2-a-line USF). Data from the Florida Public Service Commission makes it clear that virtually all of these consumers would be low-income individuals, with the largest number accounted for as senior citizens on fixed incomes. The PSC data found that 15 percent of respondents reported making no long distance calls. Of respondents with incomes below $10,000, 40 percent report no long distance expenditures. A fifth of respondents with incomes between $10,000 and $20,000 report no long distance expenditures.

- *"Low-volume" long-distance users.* 27 million additional consumer households[9] who are low-volume users could pay an extra $162 million ($1 line) to $324 million ($2 a line). This rough estimate takes into account that there are more than 43 million U.S. consumers who are low-volume phone users making fewer than 10 minutes of long distance telephone calls per month. In order to avoid double-counting, the 43 million total was reduced by 16 million to account for the "no volume" phone users. (See above.) Then, the amount of USF funds currently being paid was generously estimated (in order to provide a conservative bottom line figure) to reflect half of the proposed $1-$2 line charge under a shift to a "numbers" based approach for USF. In the event that the USF flat-fee was set at an even higher $3 level, the harm to vulnerable consumers would escalate accordingly.

Thus, the preliminary Keep USF Fair Coalition estimate is that some 43 million households consisting of what are America's most vulnerable consumers would pay $354 million to $707 million in higher federal phone taxes or rate hikes that would have to be imposed by companies forced to cover USF costs. It is truly staggering to contemplate the "effective tax hike" of well over 1,000 percent that would be imposed on an elderly widow who currently pays less than $1 a year in USF charges and would face a mandatory $1-$2 (or more!) monthly charge under "numbers" for the same handful of calls under the flat-fee "numbers" system. This particular scenario is one of real

---

8 See Florida Public Service Commission rearch on "no-volume" and "low-volume" users cited throughout the FCC filing http://www.consumersunion.org/pdf/0922lowvol.pdf and related news release: "CONSUMERS ASK THE FCC TO PUT AN END TO LONG DISTANCE PRICE DISCRIMINATION/Households making less than 50 minutes a month in interstate long distance calls have been saddled with a net annual increase of $2 billion," Consumer Federation of America, Consumers Union and the Texas Office of the Public Utility Commission, September 22, 1999.

9 Of the 105,480,101 occupied housing units in the United States, 41 percent (43,246,841) make 10 minutes or less of long-distance calls per month. The 26 million households discussed in this point reflects the 43 million, minus the estimated 16 million "no-use" households. For a discussion of low-volume users see: Fact Sheet: Access Charges and Universal Service Reform, Federal Communications Commission, 2000. For a discussion of U.S. households see U.S. Census Bureau (online): http://factfinder.census.gov/servlet/GCTTable?_bm=y&-geo_id=01000US&-_box_head_nbr=GCT-H5&-ds_name=DEC_2000_SF1_U&-_lang=en&-format=US-9&-_sse=on/.

concern, since older women not only live longer, but also are much more likely to be poor than male senior citizens. The poverty rate among women is about 40 percent higher than that among men, according to 2000 US Census data.[10]

What about the response that more wealthy consumers will make that the extra burden posed by "numbers"-based USF should not be financially insurmountable even for disadvantaged Americans? This view is divorced from the wrenchingly difficult times that low-income Americans are experiencing today. As the Center for Budget and Policy Priorities points out: "Recent increases in fuel prices will be difficult for many low-income families to absorb. Department of Energy data show that gasoline prices rose by 93 percent between October 2003 and October 2005, and the cost of home heating fuel is projected to be 47.5 percent higher this winter than last winter. Unfortunately, low-wage workers' wages are not rising with gasoline prices or the cost of heating their homes. The minimum wage has not been raised in eight years; its value, in inflation-adjusted terms, has fallen by 17 percent over that period. In addition, recent government statistics indicate that real wages (i.e., wages adjusted for inflation) for the bottom half of workers have *fallen* in 2005."[11]

The Keep USF Fair Coalition recognizes that there are inherent limitations to its preliminary estimates on consumer impact. However, the Coalition believes that the most important piece of information is an estimate that can be used as a starting point in this important public debate. The Coalition urges that no move to "numbers" methodology for USF be undertaken until a full and complete study of consumer impacts takes place. It is critical to know who would be hurt and how badly before any overhaul of Universal Service Fund contribution method is imposed.

Further, no attempt is made in this report to "net out" the impact on all consumers of the "numbers" approach to USF. While it may be argued that larger businesses and high-income/high-volume residential users will come out as big winners under the Martin approach, this argument only underscores the cruelly regressive and anti-consumer bite of a "numbers" based approach to USF reform. Talk of such a "trade off" will provide no solace for low-income individuals, senior citizens on fixed incomes, the disabled and others who would be forced to make hard choices between paying their phone bill on the one hand and, on the other, finding the money for rising gas prices, runaway winter heating fuel bills and steadily escalating prescription medication charges.

---

10 Income and Poverty of Older Americans in 2001: A Chartbook, AARP Public Policy Institute, 2003, page 60.

11 CRITICAL CHOICES: Will Congress Secure Health Care Savings by Targeting "Weak Claims" or "Weak Clients"?, Center on Budget and Policy Priorities, October 12, 2005, page 9.

APPENDIX A:
ABOUT THE KEEP USF FAIR COALITION

The Keep USF Fair Coalition (http://www.keepusffair.org) is committed to keeping the Universal Service Fund (USF) collection method fair, and opposing proposals to move to a regressive, per-line flat fee.

Now counting more than 108,000 members in its ranks, The Keep USF Fair Coalition was formed in April 2004. Current members include Alliance for Public Technology, Alliance For Retired Americans, American Association Of People With Disabilities, American Corn Growers Association, American Council of the Blind, Black Leadership Forum, Consumer Action, Deafness Research Foundation, Gray Panthers, Latino Issues Forum, League Of United Latin American Citizens, Maryland Consumer Rights Coalition, National Association Of The Deaf, National Grange, National Hispanic Council on Aging, National Native American Chamber of Commerce, The Seniors Coalition, Virginia Citizen's Consumer Council and World Institute On Disability.

The NAACP is a supporter of the Keep USF Fair Coalition, and is among the many national organizations that have filed comments with the FCC in support of a non-regressive USF collection method. Keep USF Fair also has received support through a resolution passed in 2005 by the National Association of Consumer Agency Administrators (NACAA). The resolution recognizes that a "restructuring effort of the Universal Services Fee must find a fair method, competitively neutral, that takes into consideration new technologies," and says that a "flat fee or exclusively numbers-based plan would be unfair to millions of consumers, especially lower call volume users if they would now pay the same fee as high volume, business users."

APPENDIX B: SOURCES/RECOMMENDED READING

Income and Poverty of Older Americans in 2001: A Chartbook, AARP Public Policy Institute, 2003.

Consumer Understanding of Pricing Practices and Savings Opportunities in the Long Distance Telephone Industry, AARP Public Policy Institute, 2000.

CRITICAL CHOICES: Will Congress Secure Health Care Savings by Targeting "Weak Claims" or "Weak Clients"?, Center on Budget and Policy Priorities, October 12, 2005.

Telephone Subscribership Report., Wireline Competition Bureau, Federal Communications Commission, November 7, 2005.

Fact Sheet: Access Charges and Universal Service Reform, Federal Communications Commission, 2000.

Florida Public Service Commission research cited throughout the FCC filing http://www.consumersunion.org/pdf/0922lowvol.pdf and related news release: "CONSUMERS ASK THE FCC TO PUT AN END TO LONG DISTANCE PRICE DISCRIMINATION/Households making less than 50 minutes a month in interstate long distance calls have been saddled with a net annual increase of $2 billion," Consumer Federation of America, Consumers Union and the Texas Office of the Public Utility Commission, September 22, 1999.

http://keepusffair.org/img/gv2/nonstandard_files/keepusffair/JointExParteComments81505.pdf

Resolution, LULAC CALLS ON THE FEDERAL COMMUNICATIONS COMMISSION TO CAREFULLY WEIGH THE IMPACT OF ANY INTENDED REFORMS TO THE UNIVERSAL SERVICE FUNDING METHODOLOGY TO OUR NATION'S MOST VULNERABLE, League of United Latin American Citizens, July 2, 2005, http://keepusffair.org/img/gv2/nonstandard_files/keepusffair/LULAC-USFResolution7_18.pdf.

Resolution, National Association of Consumer Agency Administrators, June 8, 2005, http://keepusffair.org/img/gv2/nonstandard_files/keepusffair/NACAA_Telecommunications_resolution_20051.pdf.

Consumer Perspectives on Universal Service, New Millennium Research Council, June 2003.

COALITION: PLAN BY FCC CHAIR MARTIN COULD COST 16 MILLION OF AMERICA'S MOST VULNERABLE CONSUMERS $400 MILLION

Martin Scheme For Universal Service Fund "Reform" Seen As Zapping Worst-Off Low-Income, Senior Consumers; Groups Call for Focus on Pro-Consumer "Fair Share" Plan.

WASHINGTON, D.C.//November 17, 2005///A controversial plan backed by Federal Communications Commission (FCC) Chairman Kevin Martin would result in higher federal phone taxes (or forced phone bill hikes) of as much as $707 million for 43 million low-volume long-distance user households in the United States, according to a new report by the Keep Universal Service Fund (USF) Fair Coalition. Of greatest concern within the group of harmed consumers: the most vulnerable of Americans – 16 million households of primarily low-income and elderly individuals – who currently can afford few or no long-distance phone calls, but would have to pay up to $383 million in higher USF taxes under the Martin scheme.

Entitled *"Losing Numbers: How America's Most Vulnerable Consumers Could Suffer Under Universal Service Fund (USF) 'Reform,'"* the report notes: "The currently consumer-friendly 'pay for what you use' approach to funding the Universal Service Fund would be replaced under the Martin plan with a regressive, flat-fee arrangement of $1-$2 or more per phone line – regardless of whether or not consumers even make a long-distance call. For a consumer who now dials only a handful of long-distance calls per year and pays correspondingly low USF taxes, the effective tax rate under the Martin plan would soar by more than 1,000 percent on an annual basis! With low-income and elderly consumers already socked with high gas prices, the prospect of soaring winter heating bills and continued inflation in medical prescriptions, the wide range of diverse groups in the Keep USF Fair Coalition are opposing the Martin 'numbers' based plan. These groups caution against balancing USF finances on the backs of the very consumers who use long-distance the least and are unable to afford phone bills that would rise under "numbers" simply in order to subsidize high-income/high-volume callers."

Consumer Action Director of National Priorities Linda Sherry said: **"One of the most alarming aspects of the numbers-based proposal is that no one has yet produced an estimate of the effect of the change on low-income consumers, including the poor and seniors on fixed incomes. It does not make sense for the FCC or Congress to change the collection of USF funding without first taking a long, hard look at who would pay the piper for the so-called simplicity of a numbers based plan. At least give us some hard facts."**

The Senior's Coalition Chairman of the Board Mary M. Martin said: **"Chairman Martin's plan is bad news for older consumers, who would make up most of the 16 million Americans paying more into the USF fund than they currently do. At a time when the basic costs of living – including the costs of healthcare and prescription drugs – present a major burden to these seniors on limited income, an arbitrary tax hike is the last thing seniors are prepared to handle. A 'numbers'-based methodology for USF would place an unfair, and unnecessary strain, on our nation's seniors -- the customers that account for the smallest part of telecommunications activity or revenues – in order to underwrite price reductions for customers who are better able to afford long-distance service. You can't say 'on average' that consumers will be taken care of when you have to balance your 'reform' on the backs of those who are the least able to pay."**

One clear sign of the controversial nature of the Martin plan: U.S. consumers have sent 530,781 emails and letters to federal lawmakers through the Keep USF Fair Coalition Web site at http://www.keepusffair.org. One of the citizens who has spoken out against the Martin plan is Juanita Brown, a disabled nurse living on a fixed income in Lookout, West Virginia.

Appearing at the Coalition news conference today, Ms. Brown said: **"I can barely afford long distance as it is now. I depend on my phone to stay in touch with my children and grandchildren.**

On my fixed income, I have to worry about keeping a roof over my head and paying for the heat, so the last thing I want to think about is having to give up my long-distance service because the rates have been jacked up by the federal government. I am here today to ask that I don't get socked with a charge I can't afford for telephone calls that I haven't even made. Where is the fairness in that?"

REPORT FINDINGS

In reviewing the public record on USF and phone-use volume trends, the Keep USF Fair Coalition made the following estimates:

- *"No volume" long-distance users.* The roughly 16 million consumer households who use no long-distance services in a typical month might pay an extra $192 million (under $1-a-line USF charge) to $383.1 million (under $2-a-line USF charge). Research data make it clear that virtually all of these consumers would be low-income individuals, with the largest number accounted for as senior citizens on fixed incomes. An estimated 15 percent of phone users make no long distance calls. Of those with incomes below $10,000, 40 percent report no long distance expenditures. A fifth of those with incomes between $10,000 and $20,000 report no long distance expenditures.

- *"Low-volume" long-distance users.* 27 million additional consumer households who are low-volume users might pay an extra $162 million ($1 line) to $324 million ($2 a line). This estimate takes into account that there are more than 43 million U.S. consumer households who are low-volume phone users making fewer than 10 minutes of long distance telephone calls per month, including the estimated 16 million who make no calls.

Taken together, the preliminary Keep USF Fair Coalition estimate is that some 43 million of what are predominantly America's most vulnerable consumers would pay $354 million to $707 million in higher federal phone taxes or rate hikes that would have to be imposed by companies forced to cover USF costs.

The Keep USF Fair Coalition recognizes that there are limitations to its preliminary estimates on the consumer harm resulting from the Martin plan. However, the Coalition believes that the most important piece of information is an estimate that can be used as a starting point in this important public debate. As the new report notes, the Coalition urges that no move to "numbers" methodology for USF be undertaken until a full and complete study of consumer impacts takes place. It is critical to know who would be hurt and how badly before any overhaul of the Universal Service Fund contribution method is imposed.

ALTERNATIVE APPROACH RECOMMENDED

The chief argument advanced for the Martin "numbers" plan incorrectly assumes that there is no alternative approach to addressing potential USF solvency concerns. In reality, Keep USF Fair Coalition members and other groups concerned about the threat posed to America's most vulnerable consumers by a "numbers" based approach are coalescing around the "Fair Share Plan," which would eliminate the need for radical changes that would be injurious to vulnerable consumers. The Plan assumes the following, common-sense reforms to improve the USF contributions process to ensure sufficient funds:

- Expand the USF contribution base to include revenues derived from all telecommunications, including services provided using Voice over the Internet Protocol (VoIP) technology.

- Establish a contribution factor cap to be applied to the revenue-based approach, e.g., somewhere between 12 and 15 percent of revenues derived from interstate telecommunications (including VoIP).

- Carriers would still be assessed based on revenues up to that cap amount, and would still have the right to charge their end users a USF recovery charge not to exceed the capped amount.

The Plan would benefit those low-income users who make few interstate calls. They would be subject to flat assessments for their wireline and wireless telephone numbers, but the level of those assessments would be measured in cents, not the $1.00 or more anticipated under a “connection” or “numbers” based funding plan.

ABOUT THE COALITION

The Keep USF Fair Coalition (http://www.keepusffair.org) is committed to keeping the Universal Service Fund collection method fair, and opposing proposals to move to a regressive, per-line flat fee. Now counting more than 108,000 members in its ranks, The Keep USF Fair Coalition was formed in April 2004. Current members include Alliance for Public Technology, Alliance For Retired Americans, American Association Of People With Disabilities, American Corn Growers Association, American Council of the Blind, Black Leadership Forum, Consumer Action, Deafness Research Foundation, Gray Panthers, Latino Issues Forum, League Of United Latin American Citizens, Maryland Consumer Rights Coalition, National Association Of The Deaf, National Grange, National Hispanic Council on Aging, National Native American Chamber of Commerce, The Seniors Coalition, Virginia Citizen’s Consumer Council and World Institute On Disability.

The NAACP is a supporter of the Keep USF Fair Coalition, and is among the many national organizations that have filed comments with the FCC in support of a non-regressive USF collection method. Keep USF Fair also has received support through a resolution passed in 2005 by the National Association of Consumer Agency Administrators (NACAA). The resolution recognizes that a "restructuring effort of the Universal Services Fee must find a fair method, competitively neutral, that takes into consideration new technologies," and says that a "flat fee or exclusively numbers-based plan would be unfair to millions of consumers, especially lower call volume users if they would now pay the same fee as high volume, business users."

CONTACT: Ailis Aaron, for Keep USF Fair Coalition, (703) 276-3265 or aaaron@hastingsgroup.com.

EDITOR’S NOTE: A streaming audio replay of a related telenews event will be available on the Web as of November 17, 2005 at http://www.keepusffair.org.